

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 DOE-11 SOE-02 SP-02 USIA-15 AID-05

EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 INT-05 /125 W

-----122779 151844Z /40

R 142100Z MAR 78

FM AMCONSUL GUADALAJARA

TO SECSTATE WASHDC 3954

INFO USTREASURY WASHDC

AMEMBASSY MEXICO

UNCLAS SECTION 1 OF 2 GUADALAJARA 0404

E.O. 11652: N/A

TAGS: EFIN, MX

SUBJECT: MEXICAN BANKERS CONVENTION

1. SUMMARY: PRESIDENT LOPEZ PORTILLO OPENED THE ANNUAL CONVENTION OF THE MEXICAN BANKERS ASSOCIATION UNDER THE THEME OF INCREASED CONFIDENCE AND OPTIMISM. SPEECHES BY TREASURY SECRETARY IBARRA AND BANK OF MEXICO DIRECTOR GENERAL ROMERO KOLBECK EMPHASIZED PROGRESS MADE IN RESTORING FINANCIAL STABILITY AND GENERAL ECONOMIC POLICY OBJECTIVES. SEVERAL RELATIVELY MINOR NEW POLICIES WERE ANNOUNCED, AMONG THEM A NEED FOR MEXICAN BANKS TO EXPAND THEIR ACTIVITIES ABROAD, MORE FINANCIAL SUPPORT FOR PURCHASES OF DURABLE CONSUMER GOODS BY LABOR, A STOCK EXCHANGE INSTITUTE TO HANDLE STORAGE AND TRANSFERS OF SHARES, AND GREATER SUPPORT FOR SMALL AND MEDIUM INDUSTRY.

2. TREASURY SECRETARY IBARRA'S SPEECH COVERED THE INTERNATIONAL ECONOMY, AND THE NATIONAL ECONOMY, THE LATTER DIVIDED INTO REMARKS ON THE LONG TERM AND SHORT TERM STRATEGIES. REGARDING THE INTERNATIONAL ECONOMY, IBARRA NOTED A DECLINE IN THE GROWTH OF INTERNATIONAL TRADE AND AN INTENSE ACTIVITY AS REGARDS CAPITAL MOMENT. THE LATTER WAS ATTRIBUTED TO CONSIDERABLE LIQUIDITY

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COUPLED WITH A LOW LEVEL OF DEMAND FOR CREDIT BY THE PRIVATE SECTORS IN INDUSTRIALIZED COUNTRIES. WHILE NOTING THAT THIS HAS BENEFITED THE DEVELOPING COUNTRIES, HE POINTED OUT THAT INTEREST RATE INCREASES AND "THE APPEARANCE OF CONTROL MEASURES" (PROBABLY A REFERENCE TO THE U.S. COMPTROLLER OF THE CURRENCY) COULD CREATE PROBLEMS.

3. REGARDING THE DOMESTIC ECONOMY, IBARRA NOTED THAT THE FORMER DEVELOPMENT STRATEGY HAD BECOME OUT OF DATE. THE MAJOR DEVELOPMENT OBJECTIVES, HE SAID, WERE A) EQUITABLE INCOME DISTRIBUTION, B) MORE EFFICIENT PUBLIC ADMINISTRATION, C) A BETTER ALLOCATION SYSTEM OF ALL RESOURCES, D) DECENTRALIZATION AND E) A HEALTHIER ROLE FOR MEXICO IN WORLD TRADE.

4. REGARDING THE SHORT-TERM, IBARRA NOTED THAT THE 5 PER CENT GROWTH TARGET AND A HEALTHY DEVELOPMENT DEPENDED ON A FURTHER REDUCTION OF INFLATIONARY PRESSURES. IN THIS REGARD, HE NOTED THAT THE PUBLIC SECTOR DEFICIT WOULD BE FINANCED WITHOUT THE REACTION OF NEW MONEY AND THAT THE MONEY SUPPLY INCREASE WOULD BE CONSISTENT WITH THE EVOLUTION OF ECONOMIC ACTIVITY.

5. COMPLIMENTING LABOR FOR MODERATION IN WAGE DEMANDS, HE NOTED THE GOVERNMENT'S DESIRE TO INCREASE LABOR'S PURCHASING POWER AND SAID THAT NEW RESOURCES FOR FINANCING DURABLE CONSUMER GOODS PURCHASES WILL BE STUDIED. HE NOTED THE RECENT INCREASES IN PRICES AND SAID RELAXATION OF PRICE CONTROLS HAD BEEN NECESSARY TO AVOID FURTHER REDUCTIONS IN THE PRODUCTION OF CERTAIN PRODUCTS.

6. IBARRA NOTED THAT CREDIT ALLOCATION PROGRAMS WOULD CONTINUE, AND THAT MEASURES TO INCREASE CREDIT TO SMALL AND MEDIUM INDUSTRIES WOULD BE TAKEN. HE CALLED UPON THE BANKING SYSTEM TO TAKE A GREATER ROLE IN THE DEVELOPMENT PROCESS, AND TO

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EXPAND THEIR INTERNATIONAL ACTIVITIES IN ORDER TO TAKE

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EB-08 NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 INT-05 /125 W

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FM AMCONSUL GUADALAJARA

TO SECSTATE WASHDC 3955
INFO USTREASURY WASHDC
AMEMBASSY MEXICO

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BETTER ADVANTAGE OF INTERNATIONAL CAPITAL MARKETS.

7. IN CONCLUSION, IBARRA STATED THAT THE DEVELOPMENT OF PETROLEUM RESOURCES WILL PERMIT NOT ONLY A BALANCED CURRENT ACCOUNT, BUT A SURPLUS THAT WILL EVENTUALLY TURN MEXICO INTO A CREDITOR COUNTRY.

8. ROMERO KOLBECK'S SPEECH CONCENTRATED ON DEVELOPMENTS IN THE FINANCIAL SYSTEM. HE DESCRIBED AT SOME LENGTH THE IMPACT OF THE DEVALUATION ON THE FINANCIAL SYSTEM AND THE RESULTANT IMPACT ON ECONOMIC ACTIVITY. HE NOTED THAT THE DOLLARIZATION OF THE FINANCIAL SYSTEM HAD HINDERED THE INTERMEDIARY ROLE OF THE BANKING SYSTEM, BUT THAT DOLLAR DEPOSITS HAD DECLINED IN THE LAST FEW MONTH OF 1977.

9. ROMERO STATED THAT THE EXCHANGE RATE POLICY WAS TO MAINTAIN A REALISTIC RATE THAT WOULD MAKE MEXICAN EXPORTS COMPETITIVE, AND THAT FLUCTUATIONS SHOULD ASSURE "NORMALIZATION OF EXPECTATIONS AND CONFIDENCE IN THE NATIONAL FINANCIAL SYSTEM."

10. ROMERO NOTED THAT PRESENT INTEREST RATES ON DEPOSITS
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SERVED ADEQUATE AND IMPLIED THESE WOULD NOT CHANGE IN THE SHORT-TERM.

11. THE BANK OF MEXICO'S INTERNATIONAL RESERVES INCREASED DLLS 247 MILLION IN THE FIRST TWO MONTHS OF 1978, TO DLLS 2,072 MILLION AS OF MARCH 1. ROMERO NOTED THE AGREEMENT FOR 1978 WITH THE IMF, SAYING THAT NO FUND RESOURCES HAD BEEN USED SINCE THE MIDDLE OF LAST YEAR AND THAT DLLS 114 MILLION HAD BEEN REPAID TO THE FUND IN FEBRUARY.
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